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Thailand

Agricultural Situation

Chinese Fruit Imports to Thailand 2008

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Report Highlights:

Chinese fruit imports have risen almost 70 percent by volume since the 2003 Early Harvest Program between ASEAN and China. In the past four years, China has managed to wrestle significant market share in apples and grapes from the US and other historical suppliers. However, a growing middle class and increased purchasing power in Thailand are creating opportunities for U.S. fruit exports.

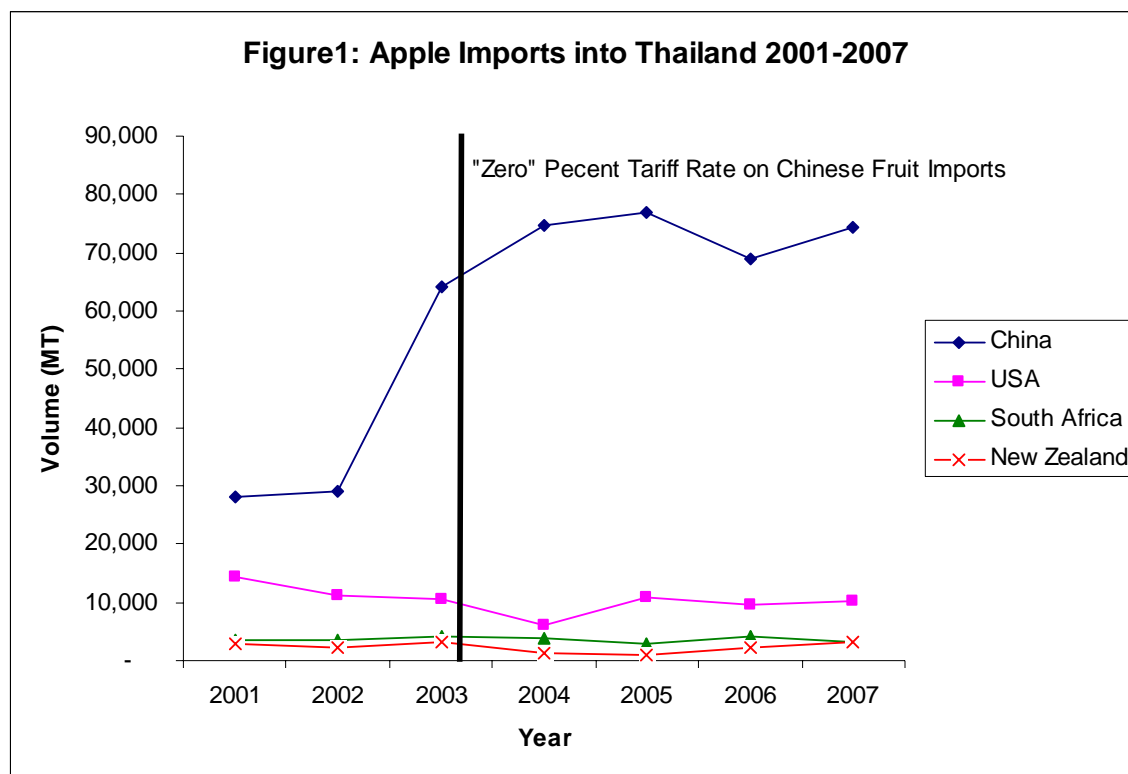
Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Bangkok [TH1]
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Chinese fruit market in Thailand

In 2007, fresh fruit imports reached \$184 million, up 37 percent by value over last year. China was the largest source of fruit imports, accounting for \$117 million and 64 percent of market share. Other major sources of fruit imports were the US with imports of \$24 million and 13 percent market share, and Australia with imports of \$9 million and 5 percent market share.

After the Framework Agreement on ASEAN-China Comprehensive Economic Cooperation was signed in November 2002, ASEAN and China agreed to the Early Harvest Program, which reduced tariffs on agricultural products. Tariff reduction began on January 1, 2004 with all tariffs falling to zero by January 1, 2006. However, Thailand and China enhanced the trade liberalization process in June 2003 by signing an accelerated tariff elimination agreement under the Early Harvest Program in order to eliminate the tariffs for vegetables (HS Chapter 7) and fruits (HS Chapter 8) by October 1, 2003. As a result of the accelerated tariff reduction between Thailand and China, the volume of Chinese fruits have risen around 30 percent annually by volume: 19 percent increase for apples, 40 percent for pears, and over 100 percent for grapes, mandarin oranges, citrus fruits and melons. China now holds a two-thirds import market share compared to 50 percent in 2001.

Apple is the leading fruit imported into Thailand, accounting for 41 percent of total fruit imports in 2007, valued at \$76 million. Leading suppliers are China (72 percent), USA (15 percent), New Zealand (5 percent), and South Africa (4 percent). Thailand has now become one of China's top five markets for apples, accounting for 7 percent of total China fruit exports. Soaring imports of apples from China have taken considerable market share from the US, New Zealand, and South Africa due to their price advantage (Figure 1). In 2007, U.S. market share for apples was 11 percent, a decrease of 16 percent from 2001.



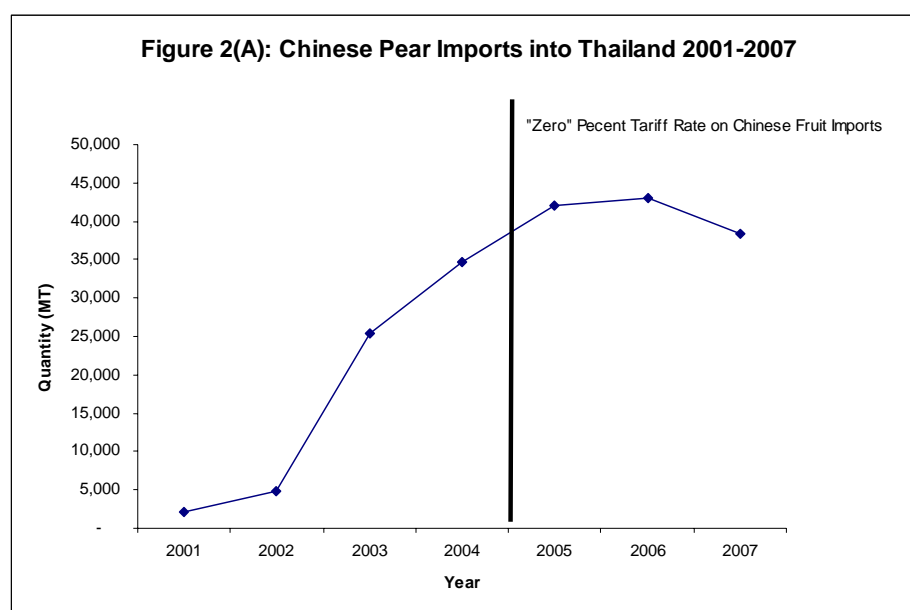
Average Market Wholesale Price (2006-2007)

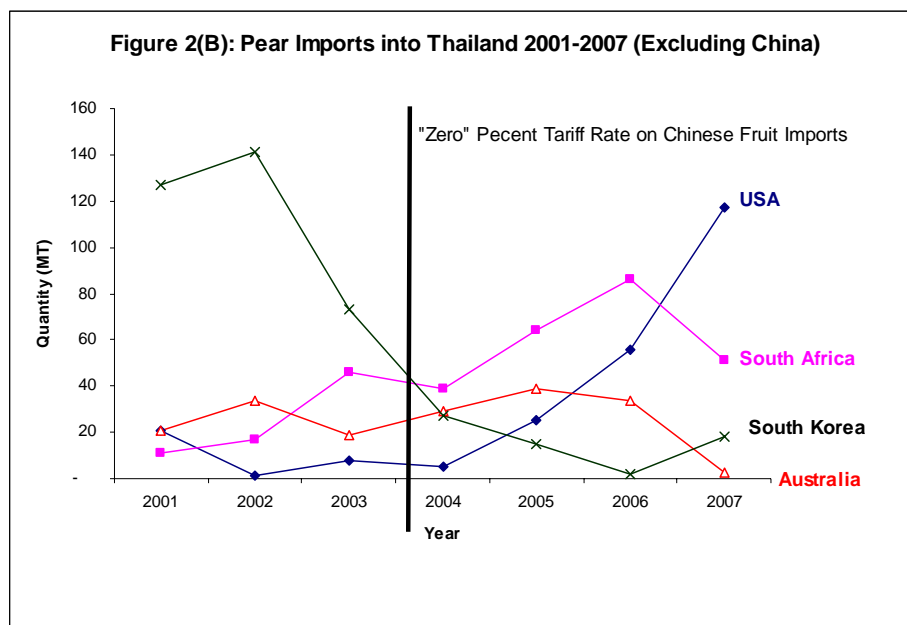
Variety	Average Wholesale Price (\$/Box)
Red Star (China)	\$7-17
Red Delicious (USA)	\$29-30
Fuji (China)	\$8-21
Fuji (USA)	\$34-36
Golden Delicious (China)	\$15-16
Golden Delicious (USA)	\$41-43
Green (China)	\$19
Granny Smith (USA)	\$32-42
Gala (China)	\$15
Gala (USA)	\$31-34

China had been the market leader for pears in Thailand prior to the tariff reductions. However, the import of Chinese pears increased by more than 600 percent, from 4,907 tons in 2002 to 39,180 tons in 2007, valued at over \$24 million (Figure 2). Since Thais prefer crispy and sweet pears, the sales of U.S. pears have been limited to only certain target groups, who prefer soft fruit and are willing to pay a higher price. Currently the retail price of U.S. pears is about 80 percent higher than Chinese.

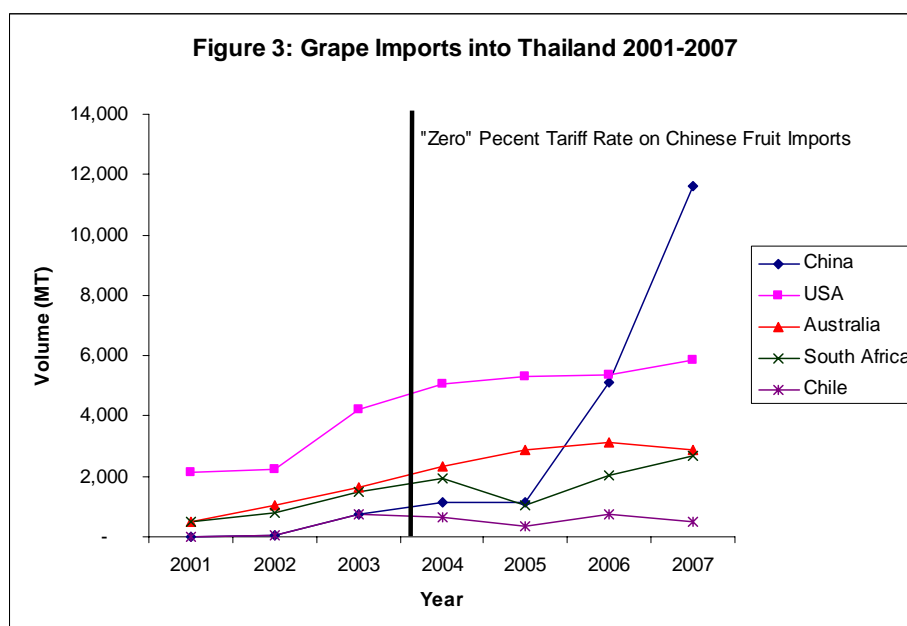
Average Market Retail Price (2007)

Variety	Average Retail Price (\$/kg)
Pear (China)	\$0.7-2.0
Pear (USA)	\$3.5-3.8





Imports of fresh grapes have also seen significant increases in recent years. From 2002, Thai imports of fresh grapes increased by more than 30 percent in value annually, amounting to \$39 million in 2007. Almost one fourth of Thai grape imports originate from the US, valued at \$10 million. Between 2004 and 2007, Chinese grape imports increased over 90 percent in value, and by almost 80 percent in volume, and were valued at \$17 million. The zero tariff rate on Chinese grapes has led the Thai importers to believe the dramatic increase of Chinese grape imports in recent years probably stemmed from the greater consumer adoption and inaccurate product labeling. Chinese grapes are sometimes packaged identically to California grapes after entering Thailand.



Average Market Wholesale Price (2006-2007)

Variety	Average Wholesale Price (\$/Box)
Grape - Red Globe (China)	\$10.0
Grape - Red Globe (USA)	\$34.5
Grape - Red Seedless (USA)	\$38.0
Grape - Black Seedless (USA)	\$40.0
Grape - Green Seedless (USA)	\$38.2

Opportunities for U.S. fruit in Thailand

Fresh fruit is a staple of the Thai diet with 57 percent of Thais consuming fruit daily. Consumers between ages 15-60 eat the most fruit, and generally prefer large sweet fruits. Consumer preferences and innovations in convenience packaging are influencing the consumption and marketing mix of fruit. Fruit consumption is expected to continue to rise with the growing standard of living. Additionally, foreign hypermarkets and high-end supermarkets have contributed to the increase of fruit consumption throughout Thailand by offering a wide range of affordable imported fruit. Cherries, grapes, plums, apples, persimmons are often distributed by street vendors. Growing supplies of affordable domestic fruit and low-priced Chinese fruit have caused intense competition in the Thai fruit market. Even though Thailand is a relatively price sensitive market, opportunities do exist. Since last year, China has been able to expand its range of low-priced fruit to Thailand to peaches, plums, nectarine, and pomegranates.

Despite the quality of U.S. fruit being considered superior, Chinese fruit have gradually absorbed market share since October 2003, especially in the apple, pear and grape markets. China has improved their fruit crop production and post harvest technology for plum, persimmon, pomegranate, and cherry. Consequently, U.S. exporters should expect increased competition from Chinese fruit within the next five years not only for apples and pears, but for grapes and stone fruits as well. Another issue of concern is intellectual property violations in Chinese fruit packaging, which can adversely affect the reputation of U.S. fruit (Figure 4).



Figure 4: The California-imitated package of Chinese grape

These Chinese grapes available in Chiang Rai hypermarkets carry identical packaging to U.S. grapes.

Post estimates that a 10 percent drop in the tariff rate for U.S. fruits such as apples and grapes would increase imports of these fruits by at least 5 percent immediately after the reduction. However, U.S. exporters are likely to face competition not only China, but from other Thailand-FTA counterparts such as Australia and New Zealand. Despite this, there is potential for growth in consumption of imported fruit particularly in Bangkok and other major provinces due to a

growing middle class and increased purchasing power. New varieties of apples and grapes along with sufficient consumer outreach can help preserve U.S. market share and create potential for growth.

Fruit Import Tariff

Besides China, other countries fresh fruit imports to Thailand are subjected to import duties as follows:

PRODUCT	HS Code	WTO Rate Tariff	AFTA Rate Tariff	Thailand-Australia FTA Rate 2005-2020	Thailand -New Zealand FTA Rate 2005-2020
Orange (Mandarin, Tangerins, etc.)	080520	40%	5%	30% (2005) 0% (2015)	30% (2005) 0% (2015)
Grapefruit	080540	40%	5%	0% (2005)	0% (2005)
Grapes	080610	30%	5%	30% (2005) 0% (2015)	30% (2005) 0% (2015)
Apples	080810	10%	5%	6% (2005-2007) 3% (2008) 0% (2009)	0% (2005)
Pears and Quinces	080820	30%	5%	30% (2005) 0% (2010)	24% (2005) 18% (2006-2007) 12% (2008) 6% (2009) 0% (2010)
Cherry	080920	40%	5%	30% (2005) 0% (2010)	0% (2005)
Peaches and Nectarines	080930	40%	5%	0% (2005)	0% (2005)
Plums and Sloes	080940	40%	5%	30% (2005) 0% (2010)	30% (2005) 0% (2010)

Please contact Agbangkok@fas.usda.gov for more information on how to acquire the updated list of fruit importers in Thailand.

End of Report.